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Sudan

Islamic Banking

The Faisal Islamic Bank, whose principal patron was the Saudi prince, Muhammad ibn Faisal Al Saud, was officially established in Sudan in 1977 by the Faisal Islamic Bank Act. The "open door" policy enabled Saudi Arabia, which had a huge surplus after the 1973 Organization of Petroleum Exporting Countries (OPEC) increases in the price of petroleum, to invest in Sudan. Members of the Muslim Brotherhood and its political arm, the National Islamic Front, played a prominent role on the board of directors of the Faisal Islamic Bank, thus strengthening the bank's position in Sudan. Other Islamic banks followed. As a consequence, both the Ansar and Khatmiyyah religious groups and their political parties, the Umma and the Democratic Unionist Party, formed their own Islamic banks.

The Faisal Islamic Bank enjoyed privileges denied other commercial banks (full tax exemption on assets, profits, wages, and pensions), as well as guarantees against confiscation or nationalization. Moreover, these privileges came under Nimeiri's protection from 1983 onward as he became committed to applying Islamic doctrine to all aspects of Sudanese life. The theory of Islamic banking is derived from the Quran and the Prophet Muhammad's exhortations against exploitation and the unjust acquisition of wealth, defined as *riba,* or, in common usage, interest or usury. Profit and trade are encouraged and provide the foundation for Islamic banking. The prohibitions against interest are founded on the Islamic concept of property that results from an individual's creative labor or from exchange of goods or property. Interest on money loaned falls within neither of these two concepts and is thus unjustified.

To resolve this dilemma from a legal and religious point of view, Islamic banking employs common terms: *musharakah* or partnership for production; *mudharabah* or silent partnership when one party provides the capital, the other the labor; and *murabbahah* or deferred payment on purchases, similar in practice to an overdraft and the most preferred Islamic banking arrangement in Sudan. To resolve the prohibition on interest, an interest-bearing overdraft would be changed to *a murabbahah* contract. The fundamental difference between Islamic and traditional banking systems is that in an Islamic system deposits are regarded as shares, which does not guarantee their nominal value. The appeal of the Islamic banks, as well as government support and patronage, enabled these institutions to acquire an estimated 20 percent of Sudanese deposits. Politically, the popularity and wealth of Islamic banks have provided a financial basis for funding and promoting Islamic policies in government.

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Data as of June 1991

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